


**Support / Potential “buy” levels**
**\$8,738.**
**Resistance**
**\$9,019.**
**KEY TAKEAWAYS**
**ASX 200 Advances on Mining Strength and Healthcare Momentum – Recommendation: CBA: Take Profit**

Today we’re **taking profit on CBA after achieving a +156.5% capital gain, a strong outcome from our long-term call.** The bank delivered a solid FY25, with cash NPAT up 4% to A\$10.3 billion and EPS of A\$6.12, while business lending grew 11% and residential lending 6%. However, with CBA trading on a P/E of 27.6x and price-to-book of 4.0x, we see limited near-term upside and are shifting to a SELL with a target of A\$166.50.

**Market Movers:** Australia’s ASX 200 closed 1.13% higher at a one-month peak, led by gains in gold, health care, and mining. Liontown and Westgold surged while Ramsay Health Care slid to five-year lows. Household spending slowed sharply, and exports plunged, driving the smallest trade surplus since 2018. The RBA held rates steady at 3.6% as investors trimmed easing bets. Globally, Chinese tech shares advanced, Wall Street hit records, oil stayed soft, and gold hovered near highs.

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## OUR LATEST RECOMMENDATION

# CBA Holds Market Lead, But Premium Multiples Suggest Downside Risk Ahead – Take Profit: Capital Gain: +156.5%


**Key Takeaways:**

CBA continues to hold its position as Australia's largest bank, with solid operations in New Zealand through ASB and a strong digital presence, including the CommBank app with 8.5 million active users. In FY25, the bank delivered a cash NPAT of A\$10.3 billion, up 4% year-on-year, with EPS of A\$6.12. Lending growth remained steady, with business lending up 11% and residential property lending up 6%, while strategic investments of over A\$900 million in technology and frontline staff underscore its focus on customer experience. However, rising economic uncertainty, mortgage competition, and a premium valuation, CBA trades at a P/E of 27.63x and price-to-book of 4.0x, limit near-term upside. With these factors in mind, we assign a SELL rating and a target price of A\$166.50.

**CBA Maintains Market Leadership Across Australia and New Zealand but Faces Limited Near-Term Upside**

Commonwealth Bank of Australia (CBA) continues to be the country's largest bank, with strong operations in New Zealand through ASB. Its services cover Retail and Business Banking, Institutional Banking, wealth management, insurance, and broking through CommSec. The bank's digital platforms, including the CommBank app with 8.5 million active users, provide a competitive edge in customer engagement and a low-cost deposit franchise that differentiates it from peers.

**Solid FY25 Performance Demonstrates Resilience but Highlights Ongoing Costs and Competitive Pressures**

While CBA delivered robust results in FY25, the scope for near-term upside is limited. Cash NPAT rose 4% to A\$10.3 billion, with EPS of A\$6.12. Lending growth remained steady, with business lending up 11% and residential property lending up 6%, supported by stable net interest margins. Operating income increased 1% in Q3 FY25 due to strong lending and trading activity. Strategic investments of over A\$900 million in technology and frontline staff highlight the bank's focus on digital innovation and customer experience but also underline ongoing cost pressures in a competitive environment.

**The Broader Banking Environment Presents Uncertainty, Intensifying Competitive and Macroeconomic Risks**

The Australian banking sector faces challenges amid rising economic uncertainty. CPI in August 2025 came in at 3%, raising questions about further RBA rate cuts and potential pressure on household budgets, which could impact loan arrears. Mortgage competition continues to compress net interest margins, and non-performing assets are projected to rise across the sector. While trends such as digital transformation and ESG initiatives offer long-term opportunities, the premium market valuation of CBA limits the potential for meaningful near-term returns.

## Valuation and Recommendation

**Key Financial Metrics Highlight Strength but Also Reflect the Premium Investors Are Paying**

- Cash NPAT FY25: A\$10.3 billion, +4% YoY
- EPS FY25: A\$6.12
- Net Interest Margin: 2.08%, stable in Q3 FY25
- Business Lending Growth: 11% FY25
- Residential Property Lending Growth: 6% FY25
- Provision Coverage: 1.60% of credit risk-weighted assets, including A\$2.6 billion buffer
- Customer Deposit Funding Ratio: 77–78% of total funding

- Debt-to-Equity: 2.74

- Dividend Payout FY25: 79%, with forecasted increase to \$5.25 per share FY26

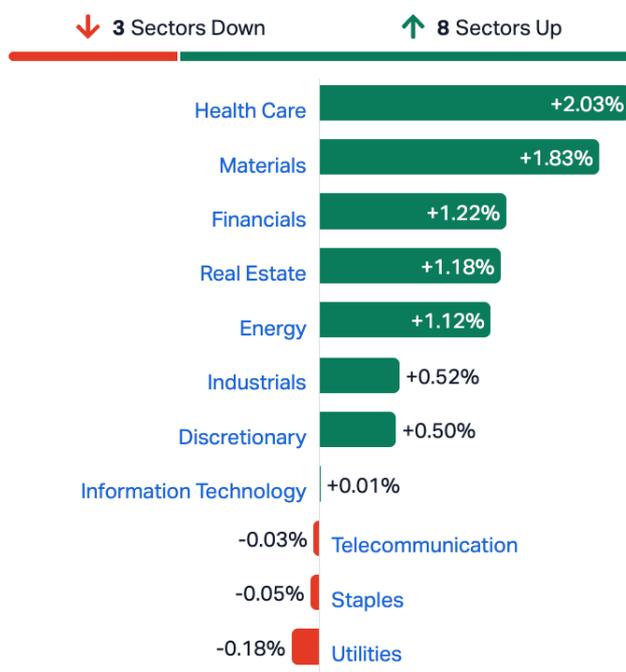
**Valuation Signals Limited Upside Despite Robust Fundamentals, Supporting a SELL Recommendation**

CBA trades at a P/E of 27.63x and a price-to-book of 4.0x, considerably above peers and historical averages. While these metrics reflect market confidence in its franchise, they also indicate the stock is trading at a premium. Limited near-term upside, combined with potential macroeconomic pressures and ongoing competitive risks, suggests the stock's risk-reward profile is skewed to the downside.

**Although CBA remains a strong and well-managed bank, its current valuation leaves little room for capital appreciation. We therefore assign a SELL rating with a target price of A\$166.50 per share, advising investors, especially new entrants, to consider reducing exposure and reassessing their position given the limited upside potential.**

**MARKET MOVERS**

Australia's equity market closed higher on Thursday, with the ASX 200 advancing 1.13% to reach a fresh one-month high, lifted by strength across gold, health care, and metals and mining stocks.



The session highlighted a more confident tone among investors despite mixed macroeconomic data, as resource-linked names and selective financials led gains while parts of the consumer and media complex retreated. A strong breadth was seen, with rising stocks outpacing decliners by more than 280 issues, underscoring broad participation in the rally.

The top performers of the day came from the resources sector, where Liontown Resources surged nearly 10% as sentiment around lithium assets remained buoyant. Westgold Resources climbed more than 8% to a record high, benefitting from strong precious metals prices and renewed demand for defensive hard assets. Perpetual added over 7% on steady institutional inflows and hopes that wealth management earnings will stabilise in the coming quarters. On the other side of the ledger, DroneShield fell sharply, shedding almost 12% as profit-taking took hold following its recent strong run. News Corp B dropped over 5% amid investor caution around media revenues, while Ramsay Health Care slumped to five-year lows, losing over 3%, reflecting ongoing pressures from labour costs and weaker private health demand.

**Beyond equities, Australia's macroeconomic backdrop delivered a more restrained signal. Household spending slowed to a marginal 0.1% increase in August, its weakest pace since April, highlighting consumers' growing caution under the weight of elevated borrowing costs.** Spending fell in categories such as alcoholic beverages and recreation, while health and furnishing expenditures also declined. Modest gains came through food and select regional strength in Victoria, South Australia, and Tasmania, but weakness in New South Wales and Queensland offset the momentum. On an annual basis, household spending growth eased to 5.0%, still robust but down from July's 5.3%.

**Trade data painted a starker picture, as Australia's goods exports slumped nearly 8% to a three-month low, dragging the monthly surplus down to its weakest level in seven years at AUD 1.83 billion.** A collapse in non-monetary gold shipments, down more than 47%, alongside lower coal and mineral fuel exports weighed heavily. Exports to the US and UK plunged due to new tariffs, while shipments to China provided a lone bright spot, rising just over 4%. Imports, meanwhile, rebounded to record highs, compounding the trade deficit's narrowing effect. The softer data forced investors to recalibrate expectations for policy, as the Reserve Bank of Australia left its cash rate unchanged at 3.6% earlier in the week. Traders reduced bets on a near-term rate cut, though the weak household and trade readings keep pressure on the policy outlook.

Currency and bond markets responded with cautious steadiness. The Australian dollar held near USD 0.662, supported by a weaker US dollar as markets digested the ongoing US government shutdown, the first in almost seven years.



Crosses	Price	Day	Year	Date
AUDUSD	0.66199	▲ 0.00044 0.07%	-3.35%	14:35
EURAUD	1.7747	▲ 0.0011 0.06%	10.13%	Oct/02
GBPAUD	2.0383	▲ 0.0008 0.04%	6.33%	Oct/02
AUDNZD	1.1335	▼ -0.0028 -0.25%	2.93%	Oct/02
AUDJPY	97.3930	▲ 0.0870 0.09%	-3.08%	Oct/02
AUDCNY	4.7226	▲ 0.0079 0.17%	-2.12%	Oct/02
AUDCHF	0.5270	▲ 0 -0.01%	-9.70%	Oct/02
AUDCAD	0.9224	▲ 0.0003 0.04%	-0.59%	Oct/02

Australian 10-year government bond yields hovered around 4.32%, with fixed-income markets weighing slower household demand against lingering inflationary pressures.



Bonds	Yield	Day	Month	Year	Date
Australia 10Y	4.3210	▼ -0.00%	-0.112%	0.323%	14:27
Australia 52W	3.56	▼ -0.017%	0.059%	-0.277%	Oct/02
Australia 20Y	4.94	▼ -0.006%	-0.129%	0.381%	Oct/02

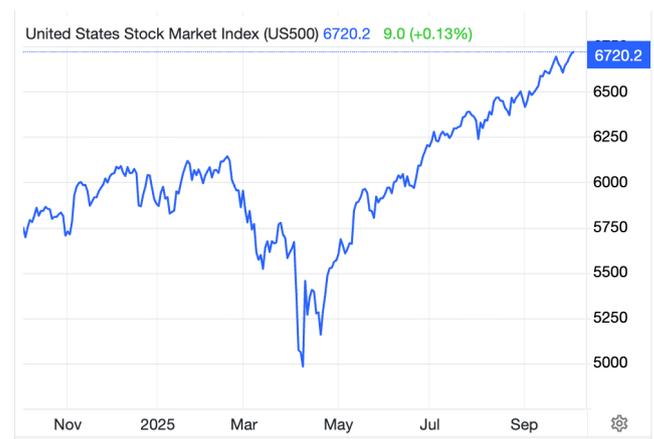
Volatility expectations remained subdued, with the S&P/ASX 200 VIX index ticking higher but staying low by historical standards.

Globally, the backdrop provided both opportunity and unease. In China, equities edged higher ahead of the Golden Week holiday, supported by resilient technology shares and tentative signs of stabilisation in manufacturing surveys.



Indexes	Price	Day	Month	Year	Date
HK50	27,313.00	▲ 457.44 1.70%	7.77%	23.51%	Oct/02
SHANGHAI	3,882.78	▲ 20.25 0.52%	0.19%	11.26%	Sep/30
CSI 300	4,640.69	▲ 20.64 0.45%	2.59%	9.04%	Sep/30
SHANGHAI 50	2,988.94	▲ 15.90 0.53%	0.26%	4.76%	Sep/30
CH50	15,142.31	▼ -46.74 -0.31%	1.60%	3.80%	Sep/30

The Shenzhen Component climbed more than 6% in September as semiconductor and AI-linked firms attracted sustained flows. In the US, stock futures held steady after the S&P 500 hit new record highs, with Wall Street largely brushing off the shutdown's implications for data releases and government operations. Investors instead focused on corporate developments, particularly in pharmaceuticals, where regulatory clarity supported large-cap names.



Commodities presented a mixed tone. Oil prices hovered around USD 62 per barrel, weighed down by rising US inventories and lingering concerns over global fuel demand, particularly in Asia where factory activity contracted.



	Price		Day	Month	Year	Date	
Crude Oil	61.845	▲	0.065	0.10%	-3.52%	-16.27%	14:36
Brent	65.417	▲	0.067	0.10%	-3.38%	-15.85%	14:36
Natural gas	3.4308	▼	0.0452	-1.30%	12.27%	15.82%	14:36
Gasoline	1.8872	▲	0.0006	0.03%	-6.33%	-10.30%	14:36
Heating Oil	2.3033	▲	0.0014	0.06%	-2.84%	-0.30%	14:36
Coal	105.55	▼	-0.65	-0.61%	-2.99%	-25.43%	Oct/01
Ethanol	1.92	▲	0.0600	3.23%	-5.88%	21.52%	Oct/01
Urals Oil	61.24	▼	-1.04	-1.67%	-1.70%	-11.59%	Oct/01

Traders kept a close watch on the upcoming OPEC+ meeting amid speculation around supply adjustments.

Gold remained firmly supported at around USD 3,860 per ounce, near record highs, underpinned by safe-haven demand and expectations of further Federal Reserve easing following weak US employment data.



	Price		Day	Month	Year	Date	
Gold	3865.42	▲	0.34	0.01%	8.83%	45.85%	14:36
Silver	47.431	▲	0.111	0.23%	15.28%	48.19%	14:36
Copper	4.8907	▲	0.0567	1.17%	7.46%	8.50%	14:36
Steel	3,005.00	▼	-27.00	-0.89%	-2.31%	-10.83%	Oct/01
Lithium	73,550.00	▲	0	0%	-7.67%	-3.86%	Sep/30
Platinum	1,587.00	▲	21.10	1.35%	10.56%	59.93%	Oct/02
Iron Ore	104.02	▼	-1.27	-1.21%	1.45%	-4.82%	Oct/01

Altogether, Thursday's ASX session reflected a market balancing optimism in key sectors with caution from weaker economic signals. Investors found encouragement in mining and health care resilience, yet the disappointing trade and spending data underscored that the domestic recovery remains uneven. The local equity market is taking its cues not only from commodity strength and global central bank policy shifts, but also from geopolitical currents such as US tariffs and China's industrial recalibration. As Australia's earnings season winds down and macroeconomic headwinds persist, the balance between resilient corporate fundamentals and fragile household demand will likely remain central to the trajectory of the ASX 200 in the weeks ahead.

Regards,  
 Mark Elzayed  
 Investor Pulse

**MARKET DATA**
**ASX Top 20**

 <b>CBA<sup>D</sup></b> Commonwealth Bank	169.82 +2.76 +1.65%	 <b>WOW<sup>D</sup></b> Woolworths	26.57 +0.10 +0.38%
 <b>BHP<sup>D</sup></b> BHP	41.94 +0.47 +1.13%	 <b>TLS<sup>D</sup></b> Telstra	4.88 +0.03 +0.62%
 <b>CSL<sup>D</sup></b> CSL	206.24 +7.44 +3.74%	 <b>GMG<sup>D</sup></b> Goodman Group	33.70 +0.72 +2.18%
 <b>WBC<sup>D</sup></b> Westpac Bank	39.19 +0.45 +1.16%	 <b>TCL<sup>D</sup></b> Transurban	14.01 +0.18 +1.30%
 <b>NAB<sup>D</sup></b> National Australia Bank	44.42 +0.41 +0.93%	 <b>SQ2</b> Block Inc	
 <b>ANZ<sup>D</sup></b> ANZ	33.93 +0.65 +1.95%	 <b>ALL<sup>D</sup></b> Aristocrat Leisure	69.74 +0.18 +0.26%
 <b>FMG<sup>D</sup></b> Fortescue Metals	19.19 +0.25 +1.32%	 <b>NCM</b> Newcrest Mining	
 <b>WES<sup>D</sup></b> Wesfarmers	91.44 +0.63 +0.69%	 <b>REA<sup>D</sup></b> REA Group	224.99 -4.36 -1.90%
 <b>MQG<sup>D</sup></b> Macquarie Group	221.00 +1.31 +0.60%	 <b>WDS<sup>D</sup></b> Woodside Energy	23.01 +0.16 +0.70%
 <b>RIO<sup>D</sup></b> Rio Tinto	124.05 +1.47 +1.20%	 <b>XRO<sup>D</sup></b> Xero	158.21 -0.18 -0.11%


**Commodities & Forex**

 <b>TIO1!</b> IRON ORE	 <b>AUDUSD</b> Australian Dollar / U.S. Dollar	0.66187 +0.10% +0.00
 <b>GC1!</b> GOLD	 <b>AUDGBP</b> AUSTRALIAN DOLLAR / BRITISH POUND	0.4902 0.00% 0.00
 <b>SI1!</b> SILVER	 <b>AUDEUR</b> AUSTRALIAN DOLLAR / EURO	0.5633 -0.07% -0.00
 <b>HG1!</b> COPPER	 <b>AUDNZD</b> Australian Dollar / New Zealand Dollar	1.13316 -0.31% -0.00
 <b>ZW1!</b> WHEAT	 <b>AUDJPY</b> Australian Dollar / Japanese Yen	97.413 +0.18% +0.18
 <b>CL1!</b> CRUDE OIL	 <b>AUDCNY</b> AUSTRALIAN DOLLAR / CHINESE YUAN	4.7077 0.00% +0.0001
 <b>NG1!</b> NATURAL GAS	 <b>AUDTHB</b> AUSTRALIAN DOLLAR / THAI BAHT	21.447 +0.18% +0.04
 <b>NCF1!</b> COAL	 <b>AUDIDR</b> AUSTRALIAN DOLLAR / INDONESIAN ...	10,994.7 -0.33% -36.10
 <b>LTH1!</b> LITHIUM		



**Economic Calendar**

		Actual	Forecast	Prior
				
<b>October 2</b>				
16:00	 	Unemployment Rate <input type="checkbox"/>	Coming soon	6.2%
19:30	 	Initial Jobless Clm <input type="checkbox"/>	223 K Person	218 K Person
<b>October 3</b>				
15:30	 	S&P GLOBAL SERVICE PMI <input type="checkbox"/>	54.2 Index (diffusion)	53.6 Index (diffusion)
19:30	 	Non-Farm Payrolls <input type="checkbox"/>	50 K Person	22 K Person
		Unemployment Rate <input type="checkbox"/>	4.3%	4.3%
20:45	 	S&P Global Comp PMI Final <input type="checkbox"/>	54.6 Index (diffusion)	55.1 Index (diffusion)
21:00	 	ISM N-Mfg PMI <input type="checkbox"/>	51.7 Index	52 Index
<b>October 6</b>				
15:30	 	S&P Global CONSTRUCTION PMI <input type="checkbox"/>		45.5 Index (diffusion)
<b>October 7</b>				
15:00	 	FX Reserves (Monthly)* <input type="checkbox"/>		3.322 Tln \$
<b>October 8</b>				
08:00	 	Cash Rate <input type="checkbox"/>	2.75%	
<b>October 9</b>				
19:30	 	Initial Jobless Clm <input type="checkbox"/>		